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Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1997

WAYNE K. PFAFF,

Petitioner,

v.

WELLS ELECTRONICS, INC.,

Respondent.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF FOR THE PETITIONER

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QUESTION PRESENTED

Section 102(b) of Title 35 of the United States Code provides, in pertinent part, that a person is entitled to a patent unless the invention was "on sale" more than one year prior to the date on which the application for United States Patent was filed.

The question presented is:

In view of the longstanding statutory definition that the one-year grace period to an on-sale bar can start to run only after an invention is "fully completed," should Mr. Pfaff's United States Patent No. 4,491,377 have been held invalid under 35 U.S.C. § 102(b) when Mr. Pfaff's invention was admittedly not fully completed more than one year before he filed his patent application?

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BRIEF FOR THE PETITIONER

The Petitioner Wayne K. Pfaff respectfully seeks reversal of the judgment of the United States Court of Appeals for the Federal Circuit, entered in the above-entitled proceeding on September 8, 1997.

OPINIONS BELOW

The opinion of the Court of Appeals for the Federal Circuit is reported at 124 F.3d 1429 and is reprinted in the Appendix to Petition for Writ of Certiorari ("Petitioner's Appendix") at PA 1-20.[1] The Federal Circuit's denial of Mr. Pfaff's petition for reconsideration has not been reported and is reprinted in Petitioner's Appendix at PA 170.

The Report and Findings of Fact and Conclusions of Law of Special Master, filed October 19, 1995 and subsequently adopted by the district court, has not been reported and is reprinted in Petitioner's Appendix at PA 23-154.[2] The Final Judgment on Liability of the United States District Court for the Northern District of Texas (Sanders, J.), entered December 29, 1995, has not been

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[1] Citations to "PA" refer to materials in Petitioner's Appendix. For example, a citation to "PA 1" refers to page App.1 in Petitioner's Appendix. Citations to the Joint Appendix, filed herewith, use the prefix "JA." For example, a citation to "JA 1" refers to page 1 of the Joint Appendix.

[2] The Order of the district court adopting the Findings of Fact and Conclusions of Law of Special Master was entered on October 25, 1995, as reflected by docket entry no. 139 for Case No. 91-CV-1542. JA 25.

reported and is reprinted in Petitioner's Appendix at PA 21-22. An earlier opinion of the United States Court of Appeals for the Federal Circuit, reversing summary judgment of non-infringement, is reported at 5 F.3d 514 and is reprinted in Petitioner's Appendix at PA 155-169.

JURISDICTION

Jurisdiction in the United States District Court for the Northern District of Texas was pursuant to the provisions of 28 U.S.C. § 1338(a). The appeal to the United States Court of Appeals for the Federal Circuit was timely taken pursuant to the provisions of 28 U.S.C. §§ 1295, 2107. The judgment of the Federal Circuit sought to be reviewed was entered on September 8, 1997, and, after a timely petition for rehearing was filed, the order denying rehearing was entered on October 3, 1997. Petitioner's Petition for Writ of Certiorari was timely filed, and this Court granted a writ of certiorari on March 9, 1998. On April 15, 1998, Petitioner's application for an extension of time in which to file the Brief for the Petitioner and the Joint Appendix was granted, extending the deadline for filing same through and including May 14, 1998. The jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

35 U.S.C. § 102. Conditions for patentability: novelty and loss of rights to patent

A person shall be entitled to a patent unless –

* * *

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

* * *

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.[3]

STATEMENT OF THE CASE

Wayne K. Pfaff ("Mr. Pfaff") fulfilled a long-felt need in the semiconductor industry when he invented a socket for holding and testing leadless semiconductor chip carriers. According to the district court, not only did Mr.

[3] The full text of 35 U.S.C. § 102 is set out in the Petitioner's Appendix at PA 230-31.

Pfaff's invention appear "totally new with respect to each component part," but the commercial success achieved by his invention was "dramatic." PA 21-22, 126, 149.

Mr. Pfaff began to develop the patented subject matter in late 1980 or early 1981, after Texas Instruments asked him to create a new semiconductor chip carrier test socket. On April 8, 1981, Mr. Pfaff's company received a written purchase order for test sockets. JA 60; PA 4, 121.[4] An application for a United States patent on the Pfaff invention was filed on April 19, 1982, and Mr. Pfaff was awarded United States Patent No. 4,491,377 (the "Pfaff '377 Patent") on January 1, 1985. PA 172.

The Pfaff invention concededly was not fully completed until sometime after the critical statutory bar date of April 19, 1981. PA 7-8.[5] Indeed, the trial court found that "[n]ot a single component of the patented invention was actually reduced to physical form prior to the critical date." PA 123.

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[4] The April 8, 1981 purchase order, however, was expressly conditioned upon the requested socket meeting the engineering criteria of Texas Instruments. JA 60. The purchase order, actually issued by Delta V for Texas Instruments, confirmed an earlier, verbal purchase order of March 17, 1981. PA 4, 121.

[5] Although Mr. Pfaff had prepared drawings of the socket by the time he received the April 8, 1981 purchase order, including drawing No. 2020 referenced in the purchase order, and had sent these drawings to a manufacturer to prepare customized tooling for the socket, no sockets had been made at the time of the purchase order or at any time on or before April 19, 1981. PA 7, 123.

This is the second lawsuit in which Mr. Pfaff has sued Respondent Wells Electronics, Inc. ("Wells") for infringement of his United States patent. In the first case, reported at 9 U.S.P.Q.2d 1366 (N.D. Ind. 1988), the United States District Court for the Northern District of Indiana ruled that Wells' then-accused devices did not infringe the Pfaff '377 Patent. PA 198, 199. The trial court also held that the absence of completion of the Pfaff invention (lack of "reduction to practice" in patent parlance) before the critical date meant that the patented invention could not have been on sale more than one year before Mr. Pfaff's application for patent was filed.[6] PA 224-25. On cross-appeals to the United States Court of Appeals for the Federal Circuit, the finding of non-infringement was affirmed and, in accordance with the Federal Circuit's practice at that time, the lower court's judgment in favor of Mr. Pfaff on Wells' counterclaim for patent invalidity was vacated as moot.[7] PA 228-229.

Shortly thereafter, a modified Wells socket appeared in the marketplace. In 1991, Mr. Pfaff filed the instant suit for patent infringement in the United States District Court for the Northern District of Texas. JA 5, 44. The district court initially granted summary judgment of

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[6] In that prior case, the trial court found that Texas Instruments had also approached others to help fill the pressing need for a new socket. PA 201.

[7] The practice of dismissing declaratory judgment actions challenging the validity of patents, and vacating judgments of validity and invalidity as moot upon a finding of non-infringement, was subsequently rejected by this Court in *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 101-102 (1993).

non-infringement in favor of Wells. That judgment was reversed by the Federal Circuit and remanded for further proceedings. PA 155.

On remand, the case was referred to a special master for a non-jury trial. The special master's Report and Findings of Fact and Conclusions of Law were adopted by the district court as its opinion. JA 25; PA 21. In pertinent part, the district court held that the Pfaff invention was not on sale in violation of Title 35, Section 102(b) of the United States Code and that certain claims of the Pfaff '377 Patent were infringed by Wells. PA 21-22.

On appeal, the Federal Circuit determined that the sole reason the district court had not held the Pfaff '377 Patent invalid under Section 102(b) was that Mr. Pfaff's invention had not been "reduced to practice" prior to the critical date "because there was no physical embodiment of the invention." PA 7-8. The appellate court, however, held that Mr. Pfaff's invention was "substantially complete" and had been "commercialized" before the critical date. PA 7, 10, 13. Accordingly, the Federal Circuit held that the Pfaff invention had been on sale in contravention of Section 102(b) and that, as a result, the claims in issue of the Pfaff '377 Patent were invalid. PA 10, 20.[8]

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[8] Six claims of the Pfaff '377 Patent are at issue here. The Federal Circuit held that four of the claims of the Pfaff '377 Patent (claims 1, 6, 7, and 10) were invalid under the on-sale bar set forth in 35 U.S.C. § 102(b). PA 13. The appellate court also held that two additional claims of the '377 Patent (claims 11 and 19) were invalid under a Section 102(b)/103 bar, predicated on its holding of an on-sale bar violation. PA 20.

SUMMARY OF ARGUMENT

A.1. Title 35, Section 102(b) of the United States Code provides, in pertinent part, that a person is entitled to a patent unless the "invention" was "on sale" more than one year prior to the filing date of the United States patent application. At the time Mr. Pfaff filed his patent application, on April 19, 1982, consistent with the plain language of the statute, its legislative history, and relevant case law, it was well settled that the one-year grace period to the on-sale bar could not start until an invention had been "fully completed." Mr. Pfaff accordingly filed his patent application within the one-year grace period.

2. In 1997, the Federal Circuit expressly rejected this statutory "fully completed" condition precedent. It instead held that the one-year grace period may start when an invention is only "substantially complete" if, contemporaneously, it is being "commercialized." Although the Pfaff invention admittedly was not fully completed prior to the critical bar date, and indeed, not a single component actually existed before that time, the Federal Circuit held the Pfaff '377 Patent invalid under Section 102(b). In so doing, the Federal Circuit engaged in impermissible judicial legislation that contravenes both the statutory language and congressional intent.

B. The plain language of Section 102(b) requires an "invention" and nothing less (*i.e.*, not a "substantially complete" invention) be "on sale" to start the running of the statutory one-year grace period. Moreover, elsewhere in Section 102, Congress defined "invention" to consist of two acts: "conception" and "reduction to practice." 35

U.S.C. § 102(g). Therefore, an "invention" does not exist, and cannot be placed "on sale," until both conception and reduction to practice have occurred.

C.1. Although resort to legislative history is here unnecessary because the meaning of the statute is apparent, that Congress intended such a reading of Section 102(b) is confirmed by the legislative history of that statute and its predecessors. The starting point is the Patent Act of 1836, in which a statutory on-sale bar first expressly appeared, albeit as an absolute bar if any prior sale occurred with the "consent or allowance" of the inventor. Congress ameliorated the draconian nature of this absolute bar in the Patent Act of 1839, which introduced a two-year grace period. The object of the 1839 statute "was to fix a [two-year] period of limitation which should be certain" and was to be measured "from the completion of [the] invention . . . . " *Andrews v. Hovey* [*The Driven Well Cases*], 123 U.S. 267, 274 (1887). This Court has defined completion of an invention to require both conception and reduction to practice. *See, e.g., Clark Thread Co. v. Willimantic Linen Co.*, 140 U.S. 481, 489 (1881); *Corona Cord Tire Co. v. Dovan Chemical Corp.*, 276 U.S. 358, 382-83 (1928).

2. The statutory on-sale bar remained substantively unchanged for a century, until the Patent Act of 1939. At that time, Congress reduced the two-year grace period to one year, but reaffirmed that the grace period was not to begin until an invention was fully completed. Congress has not substantively changed the on-sale bar since 1939 and has not retreated from the requirement of "full completion" as an absolute prerequisite to the statutory grace

period for nearly 160 years. This provision is now codified in Title 35, Section 102(b) of the United States Code.

D. Construing Section 102(b) so that the one-year grace period cannot start unless and until an invention has been conceived and reduced to practice is also consistent with more than a century of judicial interpretation. The Federal Circuit, however, has materially altered the law concerning the on-sale bar, by repudiating reduction to practice as a prerequisite to the start of the grace period. Mr. Pfaff's one-year grace period started running at a point in time at which the appellate court determined (*ex post facto*) that his invention was "substantially complete" and had been "commercialized." This decision constitutes not only a repudiation of the statute actually enacted by Congress, but also a refusal to effectuate legislative intent and a rejection of the balance of policies selected by Congress in adopting what was to be a universally understood, easily applied, and predictable bright-line test.

E. The Federal Circuit's holding below is based on an erroneous interpretation of Section 102(b). The Pfaff invention concededly had not been reduced to practice prior to the critical date. PA 7-8. The appellate court nevertheless held that, because the invention was "substantially complete" and had been "commercialized" prior to the critical date, the claims at issue were invalid. Under a proper interpretation of Section 102(b), this holding should be reversed.

ARGUMENT

I.

THE FEDERAL CIRCUIT'S DECISION INVALIDATING THE PFAFF '377 PATENT UNDER THE ON-SALE BAR, EVEN THOUGH MR. PFAFF'S INVENTION WAS ONLY SUBSTANTIALLY COMPLETE AT THE TIME IT PURPORTEDLY WAS PLACED "ON SALE" AND WAS NOT FULLY COMPLETED MORE THAN ONE YEAR BEFORE HIS PATENT APPLICATION WAS FILED, REPRESENTS IMPERMISSIBLE JUDICIAL LEGISLATION THAT THWARTS CONGRESSIONAL INTENT.

A. The Plain Language of Section 102(b) of the Patent Act of 1952 Requires That an Invention be Completed Before the One-Year Grace Period to the On-Sale Bar May Start.

1. The Applicable Rules of Statutory Construction.

It is axiomatic that the ultimate objective of statutory interpretation "is to give effect to the will of Congress . . . . " *Griffin v. Oceanic Contractors, Inc.*, 458 U.S. 564, 570 (1982). In discerning the intent of Congress, the Court looks to the explicit language of the statute and its structure and purpose. *Ingersoll-Rand Co. v. McClendon*, 498 U.S. 133, 138 (1990). When the will of Congress "has been expressed in reasonably plain terms, 'that language must ordinarily be regarded as conclusive.' " *Griffin*, 458 U.S. at 570 (citation omitted). Congress may amend statutes; the courts may not. *Id.* at 576.

The interpretation of a statute, then, "must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985).

> [When] Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed. In such a case, absence of contrary direction may be taken as satisfaction with widely accepted definitions, not departure from them.

Morissette v. United States, 342 U.S. 246, 263 (1952).[9] The same is true when Congress reenacts or incorporates statutory language with well-established meaning. *Lorillard v. Pons*, 434 U.S. 575, 580-81 (1978). It also generally is presumed that "identical words in different parts of the same act are intended to have the same meaning." *Sullivan v. Stroop*, 496 U.S. 478, 484 (1990); *Sorenson v. Secretary of Treasury*, 475 U.S. 851, 860 (1986).

2. The Proper Construction of Section 102(b).

In accordance with these established principles, one must first look to the language of Section 102(b) of the

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[9] *Accord Molzof v. United States*, 502 U.S. 301, 307 (1992) (identifying rule set forth in *Morissette* as "[a] cardinal rule of statutory construction"); *McDermott Int'l, Inc. v. Wilander*, 498 U.S. 337, 342 (1991) ("In the absence of a contrary indication, we assume that when a statute uses [a term of art], Congress intended it to have its established meaning"); *cf. Davis v. Michigan Dept. of Treasury*, 489 U.S. 803, 813 (1989) ("When Congress codifies a judicially defined concept, it is presumed, absent an express statement to the contrary, that Congress intended to adopt the interpretation placed on that concept by the courts").

Patent Act of 1952 (the "1952 Act"), which, in pertinent part, provides:

> A person shall be entitled to a patent unless –
>
> . . . .
>
> (b) the *invention* was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States . . . .

35 U.S.C. § 102(b) (emphasis added). On its face, the statute requires that an "invention" – and nothing less (*i.e.*, not a "substantially completed" invention) – be placed "on sale" to trigger the one-year grace period.

The term "invention" is, in turn, given meaning and content, and thereby defined, in Section 102(g) of the 1952 Act, which provides:

> A person is entitled to a patent unless –
>
> . . . .
>
> (g) before the applicant's invention thereof the *invention* was made in this country by another who had not abandoned, suppressed, or concealed it. In determining the priority of invention, there shall be considered not only the respective dates of *conception and reduction to practice of the invention*, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to the conception by the other.

Id. (emphasis added). In Section 102(g), Congress defined "invention" in traditional patent form – not in the form of "an invention is [blank]," but rather in terms of its two constituent acts or elements: "conception" and "reduction

to practice."[10] Thus read in proper context, Section 102(b) establishes a bright-line test, under which the grace period to the on-sale bar cannot start to run until an invention is both conceived and reduced to practice. *See Griffin*, 458 U.S. at 570; *Ingersoll Rand*, 498 U.S. at 138; *Park 'N Fly*, 469 U.S. at 194; *Sullivan*, 496 U.S. at 484.

This statutory construction is consistent with the longstanding definition of the term "invention" used by courts and commentators alike. The "conception" of an invention is "the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention as it is thereafter to be applied in practice . . . . " *Townsend v. Smith*, 36 F.2d 292, 295 (C.C.P.A. 1929).[11] As this Court long ago recognized, however,

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[10] As Professor William C. Robinson explained in 1890:

> Every invention contains two elements: (1) An idea conceived by the inventor; (2) An application of that idea to the production of a practical result. Neither of these elements is alone sufficient. The unapplied idea is not an invention. The application of an idea, not original with the person who applies it, is not an invention. *Hence the inventive act in reality consists of two acts; one mental, the conception of an idea; the other manual, the reduction of that idea to practice.*

1 William C. Robinson, *The Law of Patents for Useful Inventions*, § 77 (photo reprint 1971) (1890) (emphasis added).

[11] *Accord Electro-Metallurgical Co. v. Krupp Nirosta Co.*, 122 F.2d 314, 318 (3d Cir. 1941), *cert. denied*, 314 U.S. 699 (1942); 1 Robinson, *supra*, note 10, § 376 (conception "consists in the complete performance of the mental part of the inventive act. . . . All that remains to be accomplished . . . belongs to the department of construction, not creation").

before an inventor's idea or conception becomes an "invention," the inventor "must have proceeded so far as to have *reduced his idea to practice and embodied it in some distinct form.*" *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 552 (1868) (emphasis added); *accord Clark Thread Co. v. Willimantic Linen Co.*, 140 U.S. 481, 489 (1891) ("conception of the mind is not an invention until represented in some physical form"); *T.H. Symington Co. v. National Malleable Castings Co.*, 250 U.S. 383, 386 (1919) (same).[12] In *Corona Cord Tire Co. v. Dovan Chemical Corp.*, 276 U.S. 358, 383 (1928), the Court identified the physical form required to establish reduction to practice in three of the statutory categories of patentable subject matter:[13]

> A *process* is reduced to practice when it is successfully performed. A *machine* is reduced to practice when it is assembled, adjusted, and used. A *manufacture* is reduced to practice when it is completely composed.

Id. (emphasis added). Moreover, this Court has confirmed that an invention is not "complete" unless and until it has been reduced to practice. *Clark Thread*, 140 U.S. at 489 ("invention was not completed until the construction of the machine"); *Corona Cord Tire*, 276 U.S. at 382-83 ("necessary reduction to use is shown by instances making it

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[12] *See also Pittsburgh Water Heater Co. v. Beler Water Heater Co.*, 228 F. 674, 677-78 (3d Cir. 1915), *cert. denied*, 241 U.S. 667 (1916); *Consolidated Vultee Aircraft Corp. v. Maurice A. Garbell, Inc.*, 204 F.2d 946, 949 (9th Cir.), *cert. denied*, 346 U.S. 873 (1953); *Bogoslowsky v. Huse*, 142 F.2d 75, 77 (C.C.P.A. 1944).

[13] *See* 35 U.S.C. § 101 (defining statutory categories of "inventions patentable" as including any new and useful "process, machine, manufacture"); *see also, infra*, note 24.

clear that [the invention] did so work, and was a completed discovery").[14]

Therefore, long before 1952, "invention" was a term of art encompassing both "conception" and "reduction to practice."[15] This definition was firmly in place by the time Congress enacted the 1952 Act, and Congress adopted its meaning intact. *See generally* 35 U.S.C. § 102(b), (g); *Morissette*, 342 U.S. at 263.[16] Because the

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[14] *See also Automatic Weighing Mach. Co. v. Pneumatic Scale Corp.*, 166 F. 288, 298 (1st Cir. 1909); *Hann v. Venetian Blind Corp.*, 111 F.2d 455, 458 (9th Cir, 1940); *Bogoslowsky*, 142 F.2d at 76-77; *Sherman v. American Tel. & Tel. Co.*, 38 F. Supp. 360, 364 (S.D.N.Y. 1941), *aff'd*, 132 F.2d 321 (2d Cir. 1942); *In re DeBaun*, 687 F.2d 459, 463 (C.C.P.A. 1982).

[15] *See* 1 Robinson, *supra* note 10, § 77; 1 Anthony W. Deller, *Walker on Patents, Deller's Edition* § 23 (1937) [hereinafter *"Walker, Deller's First Edition"*].

[16] Although Section 100 of the 1952 Act does offer a general definition of the term "invention," it is only of secondary assistance here. Section 100(a) provides: " 'invention' means invention or discovery." 35 U.S.C. § 100(a). According to the Revision Notes that accompanied the 1952 Act, this definition was added to the 1952 Act

> only to avoid repetition of the phrase "invention or discovery" and its derivatives throughout the revised title. The present statute [*i.e.*, the predecessor to the 1952 Act] uses the phrase 'invention or discovery' and derivatives.

S. Rep. No. 1979, 82d Cong., 2d Sess. (1952), *reprinted in*, 1952 U.S.C.C.A.N. 2394, 2409 (revision notes to Section 100). The terms "discover" and "discovery," however, consistently had been treated as synonymous with the terms "invent" or "invention." *See* 1 *Walker, Deller's First Edition*, *supra* note 15, § 10, at 35-36; § 24, at 112 (citing cases). The definition of invention in Section 100, then, simply reflects a non-substantive simplification of the text of the 1952 Act.

Federal Circuit confirmed that Mr. Pfaff's invention was not reduced to practice any time prior to the April 19, 1981 critical date, PA 7-8, his invention was not completed and could not have been "on sale" in violation of the plain meaning of 35 U.S.C. § 102(b).

B. The Legislative History of the On-Sale Bar Confirms that Full Completion of an Invention Must Occur Before the One-Year Grace Period Begins to Run.

Although reference to the legislative history may be unnecessary when, as here, the plain meaning of a statute is clear on its face, this Court has often looked to legislative history for confirmation of the intended meaning of a statute.[17] The legislative history of the 1952 Act and its predecessors confirms that full completion (*i.e.*, reduction to practice) of an invention is an absolute prerequisite to the start of the one-year grace period to the Section 102(b) on-sale bar.

That an inventor does not have the unfettered right to complete and sell an invention, and only years later seek patent protection, has long been a part of the United States patent laws. Even prior to the express enactment of an on-sale bar in 1836, this Court found that certain forms of sales activity were prohibited under the Patent Act of

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[17] *See, e.g., Negonsott v. Samuels*, 507 U.S. 99, 106 (1993) (although "resort to secondary materials is unnecessary in this case, the legislative history . . . supports our construction"); *Griffin*, 458 U.S. at 574 (legislative history "confirms that Congress intended the statute to mean exactly what its plain language says").

1793. Thus, in *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1 (1829), the Court observed that

> [i]f an inventor should be permitted to hold back from the knowledge of the public the secrets of his invention; *if he should for a long period of years retain the monopoly, and make, and sell his invention publicly*, and thus gather the whole profits of it, relying on his superior skill and knowledge of the structure; and then, and then only, when the danger of competition should force him to secure the exclusive right, and he should be allowed to take out a patent, and thus exclude the public from any farther use than what should be derived under it during his fourteen years; it would materially retard the progress of science and the useful arts, and give a premium to those who should be least prompt to communicate their discoveries.

Id. at 19 (emphasis added). The Court went on to hold that the Patent Act of 1793 prohibited an inventor from obtaining a valid patent "if he suffer[ed] the thing invented . . . to be publicly sold for use before he [made] application for a patent." *Id.* at 23-24.[18]

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[18] The 1793 Act, however, failed to provide for any substantive novelty examination prior to patent issuance. S. Rep. No. 338, 24th Cong., 1st. Sess. 6 (1836), *reprinted in*, 9 Donald S. Chisum, *Chisum on Patents*, Appendix 12, at 12-3 to 12-6 (1998), thus leaving the issue of invalidating, pre-application activity to be raised by defendants charged with infringement of an issued patent. *See also Shaw v. Cooper*, 32 U.S. (7 Pet.) 292, 321-22 (1833).

The statutory on-sale bar first expressly appeared in the Patent Act of 1836 (the "1836 Act").[19] Under the 1836 Act, placing an invention on sale with the "consent or allowance" of the inventor *at any time* before the patent application was filed constituted a bar to patentability.[20] Congress enacted the 1836 Act, including this statutory bar to patentability, as part of an effort to halt the issuance of patents for inventions that had "long been in public use" prior to the filing of applications thereon.[21]

The draconian nature of this original on-sale bar provision was ameliorated by Congress in the Patent Act of 1839 (the "1839 Act"), with the addition of a two-year grace period.[22] At the same time, Congress eliminated the requirement of the applicant's "consent or allowance" to the public use or sale as a prerequisite to the invocation

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[19] Patent Act of 1836, ch. 357, § 6, 5 Stat. 117 (1836) (repealed; current version codified as amended in 35 U.S.C. § 102(b)).

[20] *Id.*

[21] S. Rep. No. 338, *supra* note 18, *reprinted in*, 9 Donald S. Chisum, *Chisum on Patents*, Appendix 12, at 12-3 to 12-5 (1998).

[22] Section 7 of the 1839 Act, *inter alia*, provided that

> no patent shall be held invalid by reason of such purchase, sale, or use prior to the application as aforesaid, *except on proof* of abandonment of such invention to the public; or that *such purchase, sale, or prior use has been for more than two years prior to such application for a patent*.

Patent Act of 1839, ch. 88, § 7, 5 Stat. 353 (1839) (repealed; current version codified as amended in 35 U.S.C. § 102(b)) (emphasis added).

of the bar.[23] As this Court explained in *Andrews v. Hovey* [*The Driven Well Cases*], 123 U.S. 267 (1887):

> The evident purpose of [section 7 of the 1839 Act] was to fix *a period of limitation which should be certain*, and require only a calculation of time, and should not depend upon the uncertain question of whether the applicant had consented to or allowed the sale or use. Its object was to require the inventor to see to it that he filed his application within two years *from the completion of his invention*, so as to cut off question of the defeat of his patent by a use or sale of it by others more than two years prior to his application, and thus leave open only the question of priority of invention.

Id. at 274 (emphasis added). Congress thus intended the on-sale bar provision of the 1839 Act to provide inventors enhanced certainty in calculating the date by which an application for patent must be filed. It accomplished this by adopting *completion* of an invention as an absolute prerequisite to starting the two-year grace period.

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[23] Although there apparently was some initial confusion as to whether the 1839 Act, in fact, eliminated the "consent or allowance" requirement, the *Andrews* Court settled this issue. *See Andrews v. Hovey*, 124 U.S. 694 (1888) (opinion on denial of rehearing in *Andrews v. Hovey*, 123 U.S. 267 (1887)).

The statutory on-sale bar remained substantively unchanged until 1939,[24] when Congress reduced the two-year grace period to one year.[25] The legislative history of the 1939 Act, however, reiterated Congress' intent that an invention be *fully completed* before the statutory grace period begins to run:

> The [previous version of the] law . . . permits an inventor, after his invention is *fully completed*, to make the invention known to the public for a

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[24] The Consolidated Patent Act of 1870 recodified the two-year grace period attached to the on-sale bar without substantive change. *See* Ch. 230, § 24, 16 Stat. 198 (1870) (repealed; current version codified as amended § 102(a), (b), & (c)). Section 24 of the 1870 Act, *inter alia*, provided

> [t]hat any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvement thereof, not known or used by others in this country, and not patented, or described in any printed publication, in this or any foreign country, before his invention or discovery thereof, *and not in public use or on sale for more than two years prior to his application*, unless the same is proved to be abandoned, may, upon payment of the duty required by law, and other due proceedings had, obtain a patent therfor.

Id. (emphasis added). When, in 1874, Congress compiled and reorganized the laws of the United States in the Revised Statutes, the on-sale bar provision (Section 24 of the 1870 Act) was relocated, without change, to section 4886 of the Revised Statutes. Revised Statutes, Title LX, ch. 1, § 4886 (1874) (repealed; current version codified as amended in 35 U.S.C. § 102(a), (b) & (c)).

[25] *See*, Patent Act of 1939 (the "1939 Act"), ch. 450, § 1, 53 Stat. 1212 (1939) (repealed; current version of amended provisions codified in 35 U.S.C. §§ 101, 102, 119, 171, 172, 282).

> period of 2 years before the filing of his application for patent. An invention may be described in print, sold, and used widely by anyone, either the inventor himself or others, and after a period of up to 2 years, an application for patent can be filed by the original inventor and a valid patent obtained, even when the public may have come to believe that the invention is open to anyone.
>
> . . . . Under present conditions 2 years appears unduly long and operates as a handicap to industry. Reduction of the period [to one year] would serve to bring the date of patenting closer to the time *when the invention is made* . . . .

H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939) (emphasis added); S. Rep. No. 876, 76th Cong. 1st Sess. 1 (1939) (same language). Congress thus affirmed that full completion of an invention (*i.e.*, its reduction to practice) was to remain a prerequisite to starting the grace period to the on-sale bar.

The last relevant revision of the patent laws was undertaken in 1952. The Patent Act of 1952, which formally codified the patent laws in Title 35 of the United States Code, made no substantive changes to the on-sale bar as amended in 1939.[26] The current version of Section

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[26] The Senate Report accompanying the 1952 Act specifically states that "Section 102 in paragraphs (a), (b), and (c) repeats the conditions in the existing law relating to novelty." S. Rep. No. 1979, *supra* note 16, *reprinted in*, 1952 U.S.C.C.A.N. at 2399. The only change in these paragraphs is "that due to division into lettered paragraphs." *Id.* at 2410 (revision notes to Section 102).

102(b) remains identical to that enacted in 1952. *See* 35 U.S.C. § 102(b).

Like the plain language of Section 102(b), the legislative history of the statute and its predecessors compels an interpretation that requires both conception of an invention and its reduction to practice before the one-year grace period to the on-sale bar can begin to run. The intent and purpose of the statutory grace period has remained unchanged since its adoption in 1839, as has the requirement of "full completion" as an absolute prerequisite to the start of the grace period. Congress enacted a universally understood, easily applied, and predictable bright-line test so inventors could take advantage of the entire length of the statutory grace period without risking forfeiture of potentially valuable patent rights. The Federal Circuit judgment here in issue represents impermissible judicial legislation that is at variance with the statute and thwarts congressional intent.

II.

THE FEDERAL CIRCUIT ALSO HAS REJECTED A SUBSTANTIAL BODY OF JUDICIAL AUTHORITY RECOGNIZING REDUCTION TO PRACTICE AS A PREREQUISITE TO THE COMMENCEMENT OF THE GRACE PERIOD TO THE ON-SALE BAR.

The plain language of Section 102(b) and its legislative history should leave no doubt that Congress intended full completion of an invention to be an absolute prerequisite to the start of the grace period. There also is no doubt that recent Federal Circuit jurisprudence has materially altered the law concerning the on-sale bar

in two respects: (1) by adopting a "totality of the circumstances" framework for determining whether an invention has been placed "on sale" in violation of Section 102(b) and (2) by adopting a "substantially complete" test to define the point at which the grace period to the on-sale bar can begin to run. In so doing, the Federal Circuit substituted its own judgment for that of the legislature and, in the process, materially (and impermissibly) redefined the on-sale bar in a manner repugnant to the statute actually enacted by Congress.

A. Before the Creation of the Federal Circuit, the Courts Consistently Required That an Invention Be Reduced to Practice Before the One-Year Grace Period Could Begin to Run.

A substantial body of appellate case law predating the creation of the Federal Circuit routinely applied the rule that an invention must be fully completed before the statutory grace period could begin to run. The regional circuit courts consistently effectuated the congressional mandate that Section 102(b)'s one-year grace period not start until the invention had been fully completed.[27] The

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[27] *See, e.g., Americo Contact Plate Freezers, Inc. v. Belt-Ice Corp.*, 316 F.2d 459, 465 (9th Cir.), *cert. denied*, 375 U.S. 902 (1963); *In re Yarn Processing Patent Validity Litig.*, 498 F.2d 271, 277 (5th Cir.), *cert. denied, sub nom. Saquoit Fibers Co. v. Leesona Corp.*, 419 U.S. 1057 (1974); *Timely Prods. Corp. v. Arron*, 523 F.2d 288, 302 (2d Cir. 1975); *Austin v. Marco Dental Prods., Inc.*, 560 F.2d 966, 969 (9th Cir. 1977), *cert. denied*, 435 U.S. 918 (1978); *CTS Corp. v. Piher Int'l Corp.*, 593 F.2d 777, 779 (7th Cir.), *cert. denied*, 444 U.S. 884 (1979); *Digital Equip. Corp. v. Diamond*, 653 F.2d 701, 718 (1st Cir. 1981); *Stewart-Warner Corp. v. City of Pontiac, Mich.*,

Court of Customs and Patent Appeals (a predecessor to the Federal Circuit) likewise interpreted the statute as requiring "reduction to practice" before the one-year grace period could commence.[28]

Thus, at the time Mr. Pfaff's patent application was filed, on April 19, 1982, the law governing the start of the grace period to the Section 102 on-sale bar was well established, not only by the clear language of the statute and its legislative history, but also by a substantial body of case law. The courts had effectuated the universally understood, easily applied, and predictable bright-line test that Congress had created. In keeping with the law, Mr. Pfaff filed his application within one year after the completion of his invention. PA 7-8, 123, 172.

B. The Federal Circuit's Foray Into Judicial Legislation.

In *Barmag Barmer Maschinenfabrik AG v. Murata Machinery, Ltd.*, 731 F.2d 831 (Fed. Cir. 1984), the Federal Circuit suggested in *dicta* that, in some instances, a requirement that there be a physical embodiment of an invention to start the running of the grace period might be inappropriate. *Id.* at 837.[29] Nevertheless, until its 1987

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717 F.2d 269, 273-74 (6th Cir. 1983); *Dataq, Inc. v. Tokheim Corp.*, 736 F.2d 601, 604-05 (10th Cir. 1984).

[28] *See, e.g., In re Theis*, 610 F.2d 786, 791-92 (C.C.P.A. 1979); *In re Corcoran*, 640 F.2d 1331, 1333-34 (C.C.P.A. 1981).

[29] As the *Barmag* court acknowledged, in *In re Corcoran*, 640 F.2d at 1333-34, the Court of Customs and Patent Appeals expressly approved a regional appellate court analysis that

decision in *UMC Electronics Co. v. United States*, 816 F.2d 647, 652, 656-57 (1987), *cert. denied*, 484 U.S. 1025 (1988), the Federal Circuit did not expressly reject the reduction to practice requirement and, indeed, continued approving use of reduction to practice as a benchmark in determining when to start the one-year grace period to the on-sale bar.[30]

In *UMC Electronics*, a divided panel of the Federal Circuit held that "reduction to practice is not always a requirement of the on-sale bar." *Id.* at 653. The majority instead adopted a "totality of the circumstances" test, in which reduction to practice was merely one factor. *Id.* at 656-57. It adopted this new test without proper deference to the principles governing statutory construction.[31] In its only bow to the actual language of the statute, the *UMC Electronics* majority sought to justify its decision with the

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required actual reduction to practice as a condition precedent to the start of the statutory grace period. *See Barmag*, 731 F.2d at 836.

[30] *See, e.g., Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 622-23 (Fed. Cir.) (approving district court's use of jury instruction that the on-sale bar "applies to 'a *completed* invention that has been shown to be commercially useful' ") (emphasis added), *cert. dismissed*, 474 U.S. 976 (1985); *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 860 (Fed. Cir. 1985) ("district court properly relied on two factors as evidence of 'on sale': (1) a sale or offer of sale of the invention, and (2) an existing reduction to practice at the time of the offer), *cert. denied*, 475 U.S. 1016 (1986); *Great Northern Corp. v. Davis Core & Pad Co., Inc.*, 782 F.2d 159, 164-65 (Fed. Cir. 1986) (affirming district court's holding that on-sale bar did not apply in absence of reduction to practice).

[31] *See* discussion *supra* part I.A.1.

obscure observation that "[i]mplicit in the operation of a sections 102(b)/103 bar is the *absence* of reduction to practice of the *claimed invention* as a requirement for the bar to operate." 816 F.2d at 656 (emphasis in original). This erroneous observation, purportedly derived from an earlier decision of the Court of Customs and Patent Appeals, results from inappropriate intermingling of two separate inquiries. *See id.* at 661-62 (Smith, J., dissenting).[32] Moreover, even if, *arguendo*, the majority's observation had any merit (which it does not), an "implicit" result suggested by an appellate court decision is not a valid reason to ignore the express mandate of Section 102(b).

Faced with the reality that the "totality of the circumstances" framework provides no concrete guidance whatsoever, the Federal Circuit has since struggled to provide

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[32] Simply stated, the *UMC Electronics* majority made a fundamental misstep in logic by failing to appreciate the necessary distinction, in a Section 103 obviousness analysis, between Section 102(b) *prior art* (*i.e.*, an "invention" placed on sale under Section 102(b)) and the *claimed* invention, which is to be *compared with* the prior art. *See* Janice M. Mueller, *Conception, Testing, Reduction to Practice: When Is It Really On Sale?*, 80 J. Pat. & Trademark Off. Soc'y___, part V, ¶ 3 (scheduled for publication May 1998). This article is currently available through the Suffolk University School of Law website at <http://www.suffolk.edu/law/faculty/jmueller/onsale.html>. Further citations are to the article as it appears at this website and are made by section, paragraph, and/or footnote numbers, as appropriate. *See generally Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966) (defining analysis under Section 103); *see also In re Corcoran*, 640 F.2d at 1334 (applying Section 102/103 bar analysis).

inventors (and the lower courts) with additional parameters by which to measure the consequence of "commercial" activities preceding the critical date. The resulting case law has yielded both confusion and inconsistency.[33] In late 1996, for example, the majority of a divided Federal Circuit panel criticized as "unworkable" the lower court's use of a "sufficiently complete" standard to invalidate a patent under the on-sale bar. *Seal Flex, Inc. v. Athletic Track and Court Construction*, 98 F.3d 1318, 1323 (Fed. Cir. 1996). More specifically, that panel majority rejected the district court's "sufficiently complete" standard because

> the inventor will not know, until informed by a judge, at what stage his experimental method became, with judicial insight based on hindsight, sufficiently complete to start the time bar to patentability.

Id. Within three months, however, the Federal Circuit itself, in an apparent about face, had embraced a "substantially complete" standard, which it later applied to invalidate the Pfaff '377 Patent.[34] The Federal Circuit's

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[33] *See* Mueller, *supra* note 32, at part III, nn. 33-72 and accompanying text.

[34] In early 1997, the Federal Circuit articulated its "substantially complete" standard. *See Micro Chem., Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1545 (Fed. Cir.) ("even though technical requirements of reduction to practice have not been met, a sale or definite offer to sell a *substantially completed* invention, with reason to expect that it would work for its intended purpose upon completion, suffices to generate a statutory bar") (emphasis added), *cert. denied*, 117 S. Ct. 2516 (1997); *accord Robotic Vision Sys., Inc. v. View Eng'g, Inc.*, 112 F.3d 1163, 1167-68 (Fed. Cir. 1997) ("without a *substantially completed*

foray into judicial legislation is both unwarranted and unjustified. The judgment invalidating the Pfaff '377 Patent based thereon should be reversed.

III.

THE BALANCE OF POLICIES REFLECTED IN CONGRESS' ADOPTION OF THE GRACE PERIOD TO THE SECTION 102(b) ON-SALE BAR REMAINS APPLICABLE AND DOES NOT JUSTIFY THE FEDERAL CIRCUIT'S JUDICIAL AMENDMENT OF THE STATUTE.

A. Relevant Policy Considerations Support the Reduction to Practice Requirement.

The United States patent laws generally embrace competing policies in their effort to fulfill the constitutional goal of promoting the inventive process. *See, e.g., Pennock v. Dialogue*, 27 U.S. (2 Pet.) at 19; *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148-151 (1989). As the Court acknowledged in *Kewanee Oil Corp. v. Bicron Corp.*, 416 U.S. 470 (1974), the patent laws advance this goal by providing reasonable incentives to inventors to invent.

> The stated objective of the Constitution in granting the power to Congress to legislate in the area of intellectual property is 'to promote the Progress of Science and useful Arts.' The patent laws promote this progress by offering a right of exclusion for a limited period *as an incentive to*

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invention there could be no on-sale bar") (emphasis added). Neither *Micro Chemical* nor *Robotic Vision Systems*, however, held the patents there at issue invalid under the on-sale bar.

> *inventors to risk the often enormous costs in terms of time, research and development.*

Id. at 480 (emphasis added). In this way, the patent laws also provide reasonable incentive for an inventor to lift the veil of secrecy from his work. *Bonito Boats*, 489 U.S. at 150-51.

One such incentive is Congress' decision to provide inventors an easily calculable time period of one year, after an "invention" actually exists and is "on sale," to decide if it has shown sufficient commercial success to warrant the time and expense of a patent application. *See Andrews v. Hovey*, 123 U.S. at 274 (the purpose of the grace period to the on-sale and public use bars "was to fix a period of limitation which should be certain"); *cf. Bonito Boats*, 489 U.S. at 150-51 ("[t]he federal patent system thus embodies a carefully crafted bargain for encouraging the creation and disclosure of new, useful, and nonobvious advances in technology and design in return for the exclusive right to practice the invention for a period of years."); H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939). Section 102(b), construed in a manner consistent with its plain language and legislative history, and supported by numerous pre-Federal Circuit cases, reflects a specific balance drawn by Congress between competing policies that cannot permissibly be changed by judicial legislation.

The "substantially complete" test applied by the Federal Circuit in this case necessarily eviscerates the balance of policies reflected in the universally understood, easily applied, and predictable bright-line test Congress adopted in the grace period of Section 102(b). The Federal

Circuit has exceeded its authority by subordinating the policy of providing inventors with a time certain in which to evaluate the worth of their inventions in favor of other policy considerations of that court's own choosing.

B. The Federal Circuit's Flawed Policy Analysis

In 1981, the Court of Claims synthesized what it regarded as four identifiable policies underlying the on-sale bar: (1) avoiding detrimental reliance by the public on prolonged sales activity that may lead to the belief that the invention is free for all to use; (2) promoting "prompt" disclosure of new inventions to the public; (3) preventing inventors from "commercially exploiting" the exclusivity of their inventions substantially beyond the statutory period set by Congress; and (4) providing inventors a reasonable amount of time (now one year by statute) after beginning sales activities to determine whether to invest in obtaining a patent. *General Elec. Co. v. United States*, 654 F.2d 55, 61 (Ct. Cl. 1981) (*en banc*). In *UMC Electronics* and its progeny, the Federal Circuit invoked these policy considerations as justification for rejecting the reduction to practice component of "invention" in Section 102(b). *UMC Elecs.*, 816 F.2d at 652, 656.[35] Careful analysis, however, reveals that these policies,

[35] The elevated stature enjoyed by these policies in Federal Circuit jurisprudence has not gone without criticism.

> Although the Federal Circuit has referred to these policies as "statutory policies," it is not clear that they are. If Congress had intended this flurry of "statutory policies" to govern the on-sale bar, it would probably have inserted them into the statute. Because not in the statute, these policies should probably not be called statutory."

Atlantic Thermoplastics Co. v. Faytex Corp. 5 F.3d 1477, 1485 n.3 (Fed. Cir. 1993) (Rader, J., dissenting) (citations omitted).

placed in proper context, do not support the Federal Circuit's judicial replacement of the bright-line, full completion standard mandated by Congress with a "substantially complete" test based on a "totality of the circumstances."

The first of the four perceived policies invoked by the Federal Circuit (avoiding "detrimental reliance") was actually considered in the legislative history to the 1939 Act. At the same time, however, Congress determined that providing inventors with a well-defined, one-year grace period (reduced from two years), starting only after an invention was "fully completed," was appropriate *"even when the public may have come to believe that the invention is open to anyone."* H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939) (emphasis added); S. Rep. No. 876, 76th Cong., 1st Sess. 1 (1939) (same language) (emphasis added). Moreover, it is incongruous to suggest that the public could rely detrimentally on the apparent availability of subject matter purportedly "on sale" when, as here, no physical embodiment even exists until after the critical date has passed.[36]

The second perceived policy (promoting prompt disclosure of inventions) is one which has general applicability to the patent laws. *See Bonito Boats*, 489 U.S. at 151. Nevertheless, neither this policy nor the patent system is served by forcing inventors to make premature

[36] *See* Mueller, *supra* note 32, at part II, ¶ 3.

disclosure of inventions. *See id.* at 150 (best mode of carrying out invention must also be revealed); *Robotic Vision Sys.*, 112 F.3d at 1168. Similarly, Congress' decision to provide inventors with an easily calculable one-year grace period belies the existence of an *overriding* policy of prompt filing that either operates at the expense of certainty or works to diminish the one-year length of the grace period. 35 U.S.C. § 102(b), (g). Yet, the Federal Circuit, through its creation of vague and unpredictable benchmarks (*e.g.*, "substantially complete" and "totality of the circumstances"), has placed inventors in the untenable position of either using less than the full one-year term of the statutory grace period (to ensure timely filing) or risking forfeiture of the patent many years (and many dollars) after the fact.[37] There is no policy of promoting prompt disclosures that can justify presenting inventors with this Hobson's choice.

The third perceived policy (preventing "commercial exploitation" of an invention substantially beyond the period authorized by statute) originally stemmed from a concern that inventors were using and selling inventions for a "long period of years" and only seeking patent protection when competition began to surface. *Pennock*, 27 U.S. (2 Pet.) at 19. Under the Federal Circuit's "guidance," however, this policy has evolved from one intended to protect the public from long delays into a trap for the unwary inventor.[38] Stated correctly, Congress

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[37] *Id.* at part IV ("Practice Considerations").

[38] In *Graham v. John Deere Co.*, this Court identified a number of "secondary considerations," that would provide objective indications of non-obviousness, such as commercial success and long-felt, but unsolved, need. 383 U.S. at 17. Evidence of long-felt need would include such things as a conditional purchase order of the type here in evidence. *See supra* note 4 and accompanying text. Yet, under the Federal Circuit's current approach to the on-sale bar, the very existence of such evidence of non-obviousness can become the basis for a statutory bar trap, depending on how the appellate court applies the "substantially complete" test to its view of the facts. *See also* Mueller, *supra* note 32, at part IV, ¶ 1.

intended to give inventors one year after placing completed inventions "on sale" to decide whether to invoke the protection of the patent laws. *See* H.R. Rep. No. 961, 76th Cong. 1st Sess. 1 (1939); *see also supra* notes 23-26 and accompanying text; *see generally Kewanee*, 416 U.S. at 480-81. Congress has balanced the policy scales as it deemed appropriate; it is not for the Federal Circuit to rebalance them.[39]

The fourth policy identified by the Federal Circuit (allowing inventors a reasonable amount of time following the beginning of sales activity to assess the commercial worthiness of their inventions) is actually incomplete.

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[39] Since *UMC Electronics*, the Federal Circuit has overemphasized this perceived policy. *See, e.g., In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig.*, 71 F.3d 1573, 1577 (Fed. Cir. 1995) ("commercialization is the central focus" for determining applicability of on-sale bar); *Ferag AG v. Quipp, Inc.*, 45 F.3d 1562, 1565 (Fed. Cir.) ("[f]oremost among [relevant factors] is the policy of preventing inventors from exploiting the commercial value of their inventions while deferring the beginning of the statutory term), *cert. denied*, 516 U.S. 816 (1995); *see also Micro Chem.*, 103 F.3d at 1553 (Mayer, J., dissenting from majority's refusal to apply on-sale bar and pointing to the "singularly important underlying policy of preventing inventors from extending the patent term").

as stated. Congress intended to provide inventors a reasonable time certain (now one year) in which to assess the commercial success of an invention, *after it is reduced to practice*. H.R. Rep. No. 961, 76th Cong., 1st Sess. 1 (1939); S. Rep. No. 876, 76th Cong. 1st Sess. 1 (1939); *see also Andrews v. Hovey*, 123 U.S. at 274. The Federal Circuit's ruling, however, has made it virtually impossible for inventors to determine with any certainty (or confidence) the filing date deadline that will allow them to partake of the full grace period.[40] Thus, the Federal Circuit has acted in contravention to a policy actually reflected by Congress' adoption of the statutory grace period.

As a consequence of the Federal Circuit's misreading of Section 102(b), that court has effected an enormous, unauthorized change in the law – one that thwarts congressional intent and disserves both inventors and the patent system. As the dissent prophetically stated in *UMC Electronics*, absent a reduction to practice requirement,

> [t]hose inventors who have sought financing, or who have engaged in other normal business activities before they have made a workable device will not know how the time limit for filing a patent application will be measured or where the line will be drawn between raw idea and proved invention. Inventors do not normally try to patent something they have not yet found workable. The patent law, and particularly section 112, does not favor it. Most inventors do not hire a patent lawyer until they know they have something that works, by which

[40] *See* Mueller, *supra* note 32, at part IV.

> time, according to the panel majority, it may be too late.
>
> . . . . It is not clear why this change is being wrought in the community of inventors and on the public without providing some alternative measure of certainty. The "all circumstances" rule evoked by the panel majority means that the critical question in more and more cases can only be answered with finality by a judicial determination in which there is no further appeal.

UMC Elecs., 816 F.2d at 664 (Smith, J., dissenting).[41] This will remain the case until corrected by this Court.

IV.

THE FEDERAL CIRCUIT'S HOLDING THAT THE PFAFF '377 PATENT IS INVALID BECAUSE MR. PFAFF PLACED HIS INVENTION "ON SALE" OUTSIDE THE STATUTORY GRACE PERIOD SHOULD BE REVERSED.

At the time Mr. Pfaff's's patent application was filed, on April 19, 1982, the law governing the start of the grace

[41] The Federal Circuit's rejection of a bright-line rule in *UMC Electronics* was again questioned some five years later:

> A multi-factored "totality of the circumstances" test no doubt satisfies a judge's preference for the discretion to emphasize those factors favoring equitable outcome. In an international marketplace, however, *the predictability and certainty of a bright-line test, such as that suggested by section 102(b) of the Patent Act, ought to trump judicial discretion.*

Atlantic Thermoplastics, 5 F.3d at 1485 n.3 (Rader, J., dissenting) (citations omitted) (emphasis added).

period to the Section 102(b) on-sale bar was well established, not only by the clear language of the statute and its legislative history, but also by a substantial body of case law. *See supra* parts I, II.A. Mr. Pfaff's invention was concededly not fully completed before the critical date. PA 7-8. Complying with the law, Mr. Pfaff filed his application within one year after the completion of his invention.

In rejecting the statutory requirement that an invention be fully completed before the one-year grace period can begin to run, and thus holding Mr. Pfaff's patent invalid by starting the grace period from a time when his invention was only "substantially complete," the Federal Circuit ignored this Court's basic tenets of statutory construction and created a rule that contravenes Congress' intent to provide inventors with a universally understood, easily applied, and predictable bright-line test.[42] The Federal Circuit did not apply existing law; it amended it. In the process, the Federal Circuit effectively deprived Mr. Pfaff (and other inventors) of the opportunity to benefit fully from the statutory grace period granted by Congress. The "substantially complete" trigger adopted by the Federal Circuit results in unpredictability and, hence, such high risk of forfeiture of patent rights that it is impractical for inventors to risk enjoyment of a grace period even approximating one year. This state of affairs not only operates to the detriment of inventors, but, ultimately, to the detriment of the public.[43]

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[42] *See* Mueller, *supra* note 32, at part V, ¶ 2.

[43] *Id.* at part V, nn. 89-91 and accompanying text.

The appellate court's holding that four claims of the Pfaff '377 Patent are invalid under the Section 102(b) on-sale bar and that an additional two claims are invalid under a Section 102/103 bar is contrary to the proper construction of Section 102(b) and should be reversed.

CONCLUSION

For the foregoing reasons, Petitioner respectfully requests that the Court reverse the Federal Circuit's holding below in its entirety and remand this case for further proceedings consistent with that decision.

Respectfully submitted,

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